

**From:** Emmanuel Huna  
**To:** Microsoft ATR  
**Date:** 11/17/01 4:34pm  
**Subject:** A comment on the Microsoft antitrust case

Hello,

I have learned that citizens can send comments about the Microsoft antitrust case to your address, [microsoft.atr@usdoj.gov](mailto:microsoft.atr@usdoj.gov) <<mailto:microsoft.atr@usdoj.gov>> , and I am including a story that I hope you'll find relevant.

From 1998 to 2001, I worked as a software engineer for a company called ThinkLink, a San Francisco, CA based startup. We developed a product that allowed customers to access their email, faxes and voicemail over the Web or the phone (this is generally referred as "Unified Messaging?"). The company grew from 6-7 employees working in an old milk factory to a booming business with 140 employees in offices in downtown San Francisco, CA.

I won't go into more details on the technology or our business model, but suffice to say that we created a product that was scalable and feature-rich. We integrated our system with companies like Netzero Inc. ( [www.netzero.com](http://www.netzero.com) <<http://www.netzero.com/>> ), Lycos ( [www.lycos.com](http://www.lycos.com) <<http://www.lycos.com/>> ) and many others. By summer 2000, we were signing up over 10,000 new customers per day, and we reached over 6.5 million accounts ? proving that we were the leaders in the voice over IP/Unified Messaging space.

At that time, our top management announced that Microsoft had approached us and was interested in purchasing ThinkLink. Not being on the board of Directors nor top management, the only information I received came from our weekly company meetings. For months, our CEO, David Ward, kept telling us that the deal with Microsoft was almost ready ? he used the expression "a matter of days" a few times. In fact, Microsoft Engineers came to ThinkLink and we even started integrating our system with their Web email product, Hotmail ( [www.hotmail.com](http://www.hotmail.com) <<http://www.hotmail.com/>> )

Unfortunately, on February 2001, all 110 employees were called on a Friday afternoon and the announcement was made that ThinkLink ran out of funds - since a secure loan was called upon, the company was closing down. The hard work and hopes of hundreds of people were shattered in one instance.

After ThinkLink closed down, I learned many details on what had actually happened. As previously mentioned, for months Microsoft dragged its feet, but an offer was finally made in August 2000. Microsoft was to purchase ThinkLink Inc. for \$400 million dollars. From what I understand the deal was almost sealed: even seating arrangements for ThinkLink employees at Microsoft's offices in Mountain View, CA were defined.

The lawyers from both sides had agreed on the details, and ThinkLink's top management signed the documents. The documents were then sent to Redmond, WA to be signed by Microsoft. Unfortunately, to everyone's surprise at ThinkLink, Microsoft decided not to go through with the deal, the official reason being that it was afraid of getting into trouble with the DOJ since it was entering the communications business and it already had some deals with AT&T.

But to prove its seriousness, Microsoft offered ThinkLink a \$25 million dollar secured loan ? this would

help the struggling startup in our difficult economy until Microsoft decided that it was the right time to go through with the deal.

ThinkLink's top management had wasted so much time in the negotiations with Microsoft that it had no choice: it accepted the secure loan, thereby sealing the coffin on ThinkLink's future. By the beginning of 2001, Microsoft started putting pressure on ThinkLink to pay back the secure loan ? and ThinkLink had no choice but to close down and all assets from the company were transferred to Microsoft.

Microsoft tried to recruit some employees from ThinkLink's Engineering Dept. and offers were made after ThinkLink closed down. Not one engineer accepted an offer ? most of us felt betrayed and we did not wish to help Microsoft in any way.

With its secured loan trick, Microsoft was able to get its hands on ThinkLink's technology (which was a perfect fit to their ?Voice.NET? services with XML/HTTP based applications) and in any case, it eliminated a potential competitor. They had to spend \$25 M dollars, instead of the original \$400 M.

There is no doubt in my mind that Microsoft planned this from the beginning. Although ThinkLink's top management did have some responsibility in accepting the loan and the conditions, I feel that ultimately Microsoft had the most to gain and the ThinkLink's fall was a direct result of dealing with the big, powerful and unscrupulous monopoly from Redmond.

Recently, a company called Reciprocal was victim to the same Microsoft tactics - how many other companies have fallen in the same way?

To summarize, here's how I see the situation:

- 1) A startup has some kind of product/technology that Microsoft needs or that could threaten it in some way.
- 2) Microsoft shows interest in the company and offers to purchase it for \$Y million dollars.
- 3) After months of negotiation, Microsoft does not purchase the company, but to prove its seriousness about the whole deal, it offers a SECURE loan of \$X million (where X is a fraction of the original price, \$Y, discussed in 2 - something like \$25 million instead of \$400 million)
- 4) The company now against the wall (since so much time has passed and it's a startup with limited funding) accepts the loan from Microsoft.
- 5) A few months later, Microsoft calls on the secure loan and forecloses on the company: they now have the technology they wanted and they have eliminated a competitor.

This is exactly what Microsoft did with ThinkLink, and they can only do this because they have billions. Wasting a few million with ThinkLink or Reciprocal is worth it - they are actually making money since they don't have to spend the R&D dollars to get the technology or the marketing dollars to fight the competitors.

I still am in contact with many of ThinkLink's previous employees ? in fact we have an online discussion group with over 70 participants. We would appreciate a response, and thank you for trying to make our markets a fair playground.

Regards,

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